



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

August 15, 2008

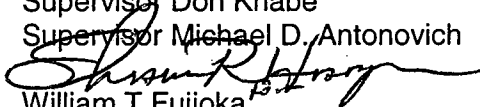
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To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich
From: 
William T Fujioka
Chief Executive Officer

PURCHASING CURRENT MODEL USED VEHICLES

On July 15, 2008, on motion of Supervisor Antonovich, your Board instructed this Office, in addition to responding to recommendations contained in the Grand Jury 2007-08 Final Report, to also consider the following related issues:

- *Ways to reduce potential fraud in the In-Home Support Services program; and*
- *Ways to reduce cost of County-issued vehicles by purchasing current model used vehicles since they are 30-40 percent below new vehicle purchase price and still under warranty.*

This memorandum provides our response to your Board's instruction regarding purchasing current model used vehicles; our response regarding the In-Home Support Services program will be provided under separate cover.

Hybrid and Alternative Fuel Vehicles

The County is moving towards the purchase of hybrid and alternate fuel vehicles (e.g., Toyota Prius) per your Board's mandate to enhance our energy conservation and environmental program efforts. Our research indicates that if the County began purchasing *used* hybrids and alternate fuel vehicles, the cost savings in comparison to the County purchasing *new* hybrid and alternate fuel vehicles would be insignificant and would not outweigh the obvious benefits of purchasing new vehicles in general. In addition, we found that it is increasingly challenging to find an adequate inventory of these types of vehicles, regardless of whether they are new or old vehicles, due to current demand and increased fuel prices.

Gasoline/Diesel Powered Vehicles

In response to your Board's directive, we contacted several departments with large vehicle inventories to determine the feasibility of pursuing this initiative to purchase used current model vehicles. As we have not pursued the option to purchase used current model vehicles previously, we are unable to determine the availability of these vehicles in the quantities needed

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by the County. Based on the information gathered and our analysis, the majority of current and immediate past model year used vehicles can be categorized as follows:

1. Former rental cars with little to no maintenance history and/or possibly little to no actual maintenance to the vehicle;
2. Previously-leased or demo cars which usually have a higher option content than required for County use (e.g., multiple CD changers and heated seats); and
3. "Buybacks" – those cars the manufacturer could not fix and were forced to buyback under the Lemon Law.

Clearly, under no circumstances would the County purchase vehicles brought back under the Lemon Law. However, we identified several concerns with purchasing current model used vehicles in the other two categories as well. The reliability of such vehicles may be in question. These types of automobiles may not have accurate or complete maintenance records. Also, the availability of such records vary by rental car companies. Since the County would be buying used cars, there is an inherent risk that the County could unknowingly acquire vehicles previously salvaged in another state due to floods or collision damage. Lastly, the County may be subject to expending additional resources in acquiring, evaluating, and repairing used current model vehicles in comparison to new model vehicles.

In addition to the above, it would be challenging for the County to compare bid responses on used current model vehicles since each used current model vehicle has different vehicle options. Departments would face significant difficulty in comparing the prices of used current model vehicles as these vehicles vary greatly in terms of accrued mileages, engine/transmission combinations, and option content. Another concern is that most of our non-sedan purchases are for vehicles that are outfitted with special equipment, such as utility bodies and customized interiors. It would be difficult to find these types of vehicles as used current model vehicles.

We believe that it is important for the County to continue to focus on buying hybrid and alternative fuel vehicles where possible. At this time, we do not recommend moving forward with purchasing used current model vehicles as viable alternative to purchasing new model vehicles for the above noted concerns regarding competitive bidding, reliability, and cost-effectiveness of used current model vehicles.

Should you have questions regarding this memorandum, please let me know or your staff may contact Vincent Amerson at (213) 974-1168 or vamerson@ceo.lacounty.gov.

WTF:ES
MKZ:VLA:pg

c: All Department Heads
Administrative Deputies
Contract Managers' Network